



ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Oak Ridge Financial Services, Inc.

Person to be contacted regarding this report:	Thomas W Wayne
CPP Funds Received:	\$7,700,000
CPP Funds Repaid to Date:	\$0
Date Funded (first funding):	1/30/2009
Date Repaid ¹ :	

RSSD: (For Bank Holding Companies)	3587427
Holding Company Docket Number: (For Thrift Holding Companies)	
FDIC Certificate Number: (For Depository Institutions)	35365
City:	Oak Ridge
State:	North Carolina

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

<input checked="" type="checkbox"/> Increase lending or reduce lending less than otherwise would have occurred.	Our gross loans increased from \$245.5 million at December 31, 2008 to \$251.3 million at December 31, 2009. During this period of time total loans at most commercial banks declined.
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<input checked="" type="checkbox"/>	To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).	Our Bank's primary emphasis is on traditional commercial real estate, commercial and consumer loans. Through our Builder Participation Program we have been able to move 10 out of 20 jumbo homes and 10 out of 20 conforming homes out of our builder construction portfolio.
<input checked="" type="checkbox"/>	Increase securities purchased (ABS, MBS, etc.).	The Bank purchased \$13.1 million in private label mortgage-backed securities (MBS) and government agency securities in the fourth quarter of 2008, and an additional \$24.8 million of SBA and private label MBS during the first six months of 2009.
<input checked="" type="checkbox"/>	Make other investments	The Bank continued to support the local community in 2009, both with contributions and time spent volunteering with local charities, as well as its participation with UNC Greensboro's Entrepreneurship Program and their Geography department.
<input checked="" type="checkbox"/>	Increase reserves for non-performing assets	At December 31, 2009, our allowance for loan losses as a percentage of loans was 1.46%, up from 1.00% at December 31, 2008. As a result of this increase our provision for loan losses increased from \$603,000 in 2008 to \$2.5 million in 2009.

<input checked="" type="checkbox"/>	Reduce borrowings	Our borrowings decreased from \$30.2 million at December 31, 2008 to \$17.2 million at December 31, 2009.
<input checked="" type="checkbox"/>	Increase charge-offs	Gross charge offs increased from \$312,000 in 2008 to \$1.4 million in 2009
<input type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	
<input checked="" type="checkbox"/>	Held as non-leveraged increase to total capital	

What actions were you able to avoid because of the capital infusion of CPP funds?

The capital infusion on CPP funds made us a much stronger financial institution from a safety and soundness perspective. Since we remained well-capitalized partly due to the capital infusion of CPP funds, we avoided having to go to the capital markets at prices (if capital was available to us at all) that would have diluted our original shareholders, many of whom live in the community in which we operate. Additionally, we were able to avoid shrinking our balance sheet to deleverage, which might have been necessary to remain well-capitalized.

What actions were you able to take that you may not have taken without the capital infusion of CPP funds?

Helping Local Businesses

We were able to help our local builders that were local businesses. We anticipate that a prolonged economic slowdown will place significant pressure on the consumers and businesses in North Carolina. Through our Builder Participation Program we have been able to move 10 out of 20 jumbo homes and 10 out of 20 conforming homes out of our builder construction portfolio— either to permanent mortgages placed with other lenders or permanent mortgages financed by the Bank to qualified borrowers. The program has resulted in the reduction of our exposure to jumbo homes from \$10.6 million to \$5.3 million, and the reduction of our exposure to conventional homes from \$4.7 million to \$2.3 million. We have also extended this program to cover the residential lot inventory of our development borrowers. This program can be accessed through our website at <http://www.bankofoakridge.com/112318.html>.

Managing Capital

The Company was able to bolster its capital levels through its \$7.7 million participation in the CPP on January 30, 2009. Of the total \$7.7 million CPP funds received, to date \$1.1 million of the CPP funds have been contributed to the Bank as additional equity capital. The remaining funds, approximately \$6.6 million, are retained by the Company but could be pushed down to the Bank if needed. With total risk-based capital levels at the Bank of 11.45% and 10.50% at December 31, 2009 and December 31, 2008, respectively, the Bank is above the minimum 10% requirement to be classified as well-capitalized. If the remaining \$6.6 million of available capital at the Company were contributed to the Bank as additional equity capital, the Bank's total risk-based capital ratio would be 14.8% at December 31, 2009 and would place it well above the minimum well-capitalized requirement of 10%. Despite healthy capital levels, due to significant uncertainty surrounding the depth or the length of the current economic slowdown, management continues to be diligent in its efforts to maintain healthy levels of excess capital above minimum requirements, and has had presentations with four different firms to discuss potential options for raising capital in the future.

Improving Operational Earnings

The Bank purchased \$37.9 million in private label securities in the fourth quarter of 2008 and the first six months of 2009. This had a very positive effect on earnings and stockholders' equity and bolstered our capital during a very difficult economic period. These purchases were made possible, in part, by use of the CPP funds.

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.

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According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 1505-0222. The time required to complete this information collection is estimated to average 80 hours per response.